Legislative Proposal for Net Metering and New Solar Incentive Program

This legislative proposal is designed to accomplish five objectives:

1) Develop a long-term policy that continues net metering for renewable energy technologies;
2) Uncap net metering for solar PV permanently;
3) Preserve "virtual metering" and energy bill savings for cities, towns, and priority solar market segments, while preserving balance on system size and compensation;
4) Establish a framework for eligible solar facilities to obtain incentives and for the Commonwealth to reach its goal of 1,600 MW of solar PV by 2020; and
5) Ensure all electric customers share equally in the fixed costs of the electric distribution system.

Overview:

- Memorializes in statute Governor Patrick's goal of 1,600 MW of solar PV.
- Removes uncertainty from tradable SRECs and a carve-out provision by transitioning to a fixed, predictable, incentive that is integrated with other Class I RECs. Incentive program will be reviewed, approved, and regulated through an electric distribution company tariff.
- Ensures net metering credits and incentives for the life of a qualifying solar facility, and allows incentives for some non-net metered solar PV.
- Ensures that operating solar projects maintain net metering, as well as SREC I or SREC II eligibility under current regulations, terms, conditions.
- The new solar program will open on July 1, 2015 and will be fully implemented by January 1, 2016. From July 2015 through December 2015, projects may choose between the existing rules or the new framework. If projects choose the existing rules, they will have until the end of their SREC qualification periods to become operational. Otherwise, they will be under the new framework.
- Allow for "solar virtual metering," with conditions: (1) eligibility criteria, as described below; and (2) all virtual metering credits will equal the: (a) supply charge; (b) transition charge; and (c) transmission charge (or, will be equal the Class III credit value for private facilities today).
- Guarantees diversity of solar projects, limits the maximum size of projects within parcels and communities, and allows for new classifications of projects to be of large size, receive adders, or receive other policy-based support.
- Removes solar projects from existing net metering caps, and provides a separate cap for net metering of anaerobic digesters and wind: 3% of peak historic load, or approximately 275 MW

more than are currently connected. Also, once the cap is reached, new anaerobic digesters and wind projects may net meter using the Class III credit value for private facilities (equal to supply, transition, and transmission).

Declining Block Program Design

- Under new framework, solar projects will be eligible for two types of compensation: (1) net metering credits or solar virtual metering credits; and (2) incentives.
- Incentives will be granted to facilities for 15 years.
- These components will be established in a tariff, and recovered from all distribution customers, similar to costs of long-term contracts for renewable energy.
- Both Phase 2 solar net metering facilities and solar virtual metering facilities will receive fixed amounts of compensation. The compensation for phase 2 solar net metering facilities will be calculated and received separately from net metering credits, whereas the compensation for solar virtual metering facilities will be a "bundled" approach, such that if the virtual metering credit increases in value, the incentive portion of the bundle decreases, maintaining a constant level of compensation.
- After accounting for the solar capacity approved in SREC I and SREC II, the declining block program will be structured to achieve a total of 1,600 MW of solar projects (whereas phase 2 solar net metering and solar virtual metering will be uncapped).
- A prescribed capacity of MWs will be available at a fixed incentive value, and once capacity is allocated, the next capacity block will be available at a lower value. Goal is to gradually "step down" the incentives in each block so that by 2020, solar incentives are near Class I REC prices.
- Declining block values will be established through a DOER stakeholder process and DPU adjudication and will consider differential economic needs of various market sectors
- Trigger mechanism will allow adjustments of blocks prospectively to react to market conditions.
- There will be no new SRECs minted – instead, the environmental attributes of solar projects will be converted to Class I RECs by the companies, who will either use the RECs for basic service customers or sell them at market rate with proceeds flowed back to distribution customers.
- Certain policy-driven project types will receive an adder on their incentive to encourage development: municipal/other governmental entities; landfills; low-income; community shared solar; emergency backup/resiliency.

"Phase 2 Solar Net metering" – Serving on-site load, behind the customer's meter

- System may be sized up to 100% of the on-site load at a customer account, up to 5 MW.
- Retains existing credit value. Customer may request cash-out if excess credits exceed 50% of annual billed amount, at the private Class III rate.

Solar Virtual Metering

- Credit value equal to the private Class III rate (equal to supply, transition, and transmission).
- Project sizes limited to 2 MW for priority projects; 1 MW for private projects; and 5 MW for projects on landfills.
- Priority projects – eligible if the credits are shared with one of the following approved off takers: municipality/other governmental entity; low income housing; campus, including landlord/tenant; and, community shared solar.
- Private projects – eligible if the credits are shared with accounts of a single corporate entity.

Non-net metered ("merchant") solar

- Would allow for solar DG development that is independent of net metering.
- Incentive to be fixed and set using the "bundled" rate minus the value of recent VM credits.

Minimum bill for all customers

- Each distribution company customer will pay a minimum bill, regardless of electricity used. DG customers will no longer be able to zero out their bills in a billing cycle. The amount of the minimum bill will be set in a DPU proceeding.
- All costs associated from the program will be recovered through a factor, to be approved by the DPU. This factor will be excluded from the calculation of any credits and paid by all customers.